

# **SPEAKER SLIDES**

## **MICHIGAN'S DEFINING MOMENT**



**ACTION GROUP • NOVEMBER 17, 2009  
BUDGET & TAX REFORM**



**Charles Ballard**  
*Michigan State University*

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# *Tax Reform for Michigan*

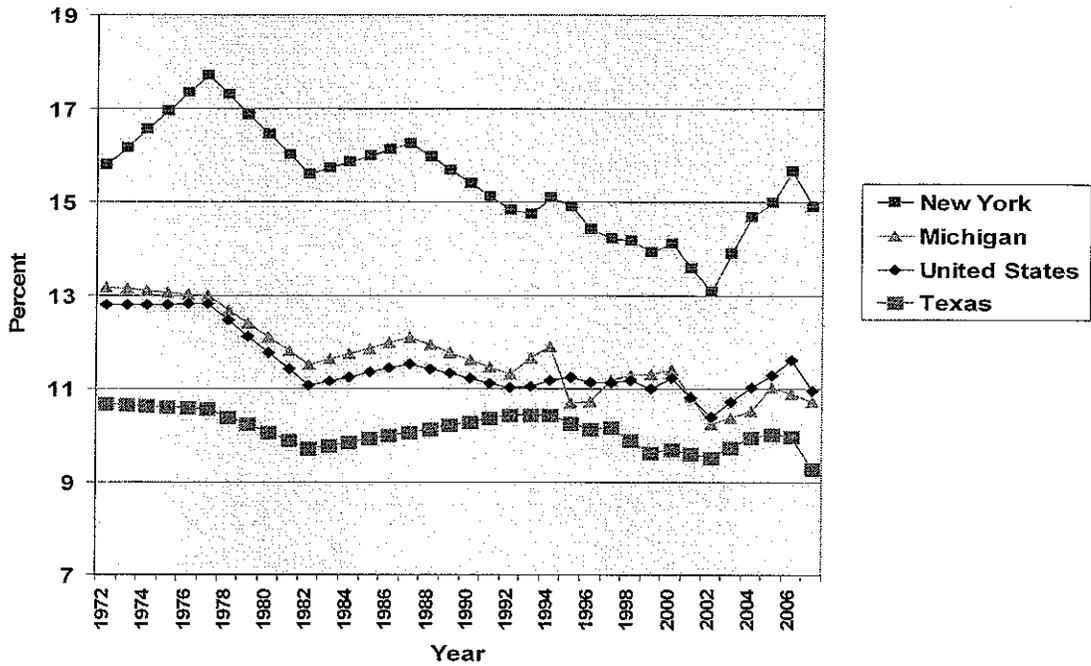
**Presented to:  
Michigan's Defining Moment  
Budget & Tax Forum**

**November 17, 2009**

**Charles L. Ballard  
Department of Economics  
Michigan State University  
East Lansing, MI  
[ballard@msu.edu](mailto:ballard@msu.edu)**

# Tax Effort Has Reduced Substantially

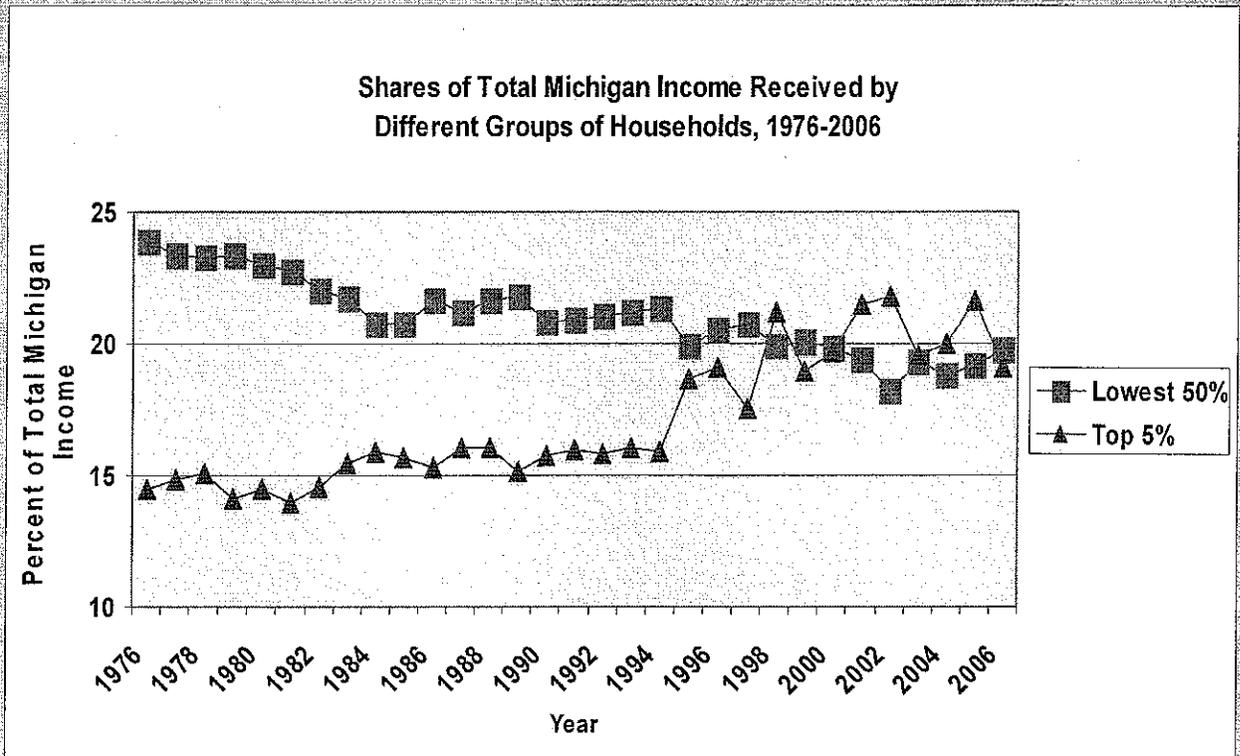
State and Local Taxes as Percent of Personal Income, 1972-2007



## **Reasons to Enact a Graduated Income Tax in Michigan**

- 1. Increase in Income Inequality: Ability to Pay Taxes is Increasingly Concentrated**
- 2. Federal Deductibility: We Leave Money on the Table**
- 3. Revenue Responsiveness: A Flat Rate Contributes to the Structural Deficit**
- 4. Public Support**

# Income Inequality Has Soared in Michigan, As in the Rest of the U.S.



## Graduated Income Taxes in Three Rapidly Growing States

<u>State</u>	<u>Top Tax Rate</u>	<u>Income Tax Rank</u>	<u>Rank in Population Growth '00-'08</u>
Georgia	6.00%	23	4
North Carolina	7.75%	12	9
Virginia	5.75%	8	14

Sources: Income Tax Rank is tax per-capita, as computed by Office of Revenue and Tax Analysis, Michigan Department of Treasury. Population growth is from the U.S. Census Bureau.

## **Tax Collections If Michigan's Income Tax Looked Like:**

- **Georgia – More than \$2.0 billion in additional revenue.**
- **North Carolina – More than \$4.0 billion in additional revenue.**
- **Utah – More than \$1.0 billion in additional revenue.**
- **Virginia – More than \$1.4 billion in additional revenue.**

Source: Income-tax simulation model, Michigan Department of Treasury.

## **A Tax-Reform Package for Michigan**

- **Establish a Graduated Income Tax**
- **Extend the Sales Tax to Services**
- **Reduce or Eliminate the MBT (but only if we make up the revenue losses elsewhere)**
- **Reduce the Tax Preference for Retirement Income**
- **Return the Excise Taxes on Beer and Wine to Earlier Levels, and Convert Them to a Percentage Basis**

**Rob Fowler**

*Small Business Association of Michigan*

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## Composition - MICHIGAN from 1993-2007

Base Year (select to change)

2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
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Compare Year (select to change)

2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
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Industry:   M

Summary  Details

Category	MI 1993	MI 2007	MI Average	Category	MI 1993	MI 2007	MI Average
Total	391,543	607,131	499,337	Total	4,920,345	5,289,918	5,105,132
Noncommercial	2.0%	6.9%	7.4%	Noncommercial	14.6%	13.6%	14.1%
Nonresident	4.4%	4.5%	4.5%	Nonresident	14.1%	15.1%	15.1%
Resident	87.6%	88.6%	88.1%	Resident	71.3%	70.3%	70.8%
Stage 1 (1-9)	84.1%	88.8%	86.4%	Stage 1 (1-9)	25.0%	29.9%	27.4%
Stage 2 (10-99)	14.8%	10.5%	12.6%	Stage 2 (10-99)	33.9%	35.7%	34.8%
Stage 3 (100-999)	0.9%	0.7%	0.8%	Stage 3 (100-999)	16.1%	16.8%	16.5%
Stage 4 (500+)	0.2%	0.1%	0.1%	Stage 4 (500+)	25.0%	17.6%	21.3%



Championing competitiveness through research, research, recognition and rethinking economic development.

## Details - MICHIGAN 1993-2007

Establishments	Opened	Closed	Reopened	Moved In	Moved Out	Net Moved In	Traded?
<b>Total</b>	686,621	469,534	217,087	4,124	5,623	1,499	215,588
Noncommercial	33,440	23,248	10,192	169	203	34	10,394
Nonresident	24,786	26,639	1,853	383	383	10	10,140
Resident	628,395	419,647	208,748	3,562	5,037	1,475	185,054
Stage 1 (1-9)	598,249	395,309	212,940	2,961	4,372	1,411	189,067
Stage 2 (10-99)	28,409	32,027	3,618	537	577	40	5,755
Stage 3 (100-499)	1,509	1,989	489	51	73	22	319
Stage 4 (500+)	228	322	94	13	15	2	87

Jobs	Opened	Closed	Net Opened	Expanded	Contracted	Net Expanded	Moved In	Moved Out	Net Moved In	Net Jobs
<b>Total</b>	3,408,438	3,555,280	146,842	2,771,495	2,229,782	541,713	69,801	95,099	25,298	369,573
Noncommercial	286,950	310,192	23,242	345,651	335,162	10,489	3,385	1,915	1,470	3,497
Nonresident	552,549	715,531	162,981	427,830	396,305	31,525	21,286	31,770	7,490	150,137
Resident	2,569,048	2,529,557	39,491	1,996,012	1,498,315	499,699	47,515	61,108	19,278	206,939
Stage 1 (1-9)	1,319,452	986,019	333,433	863,995	254,042	609,953	7,318	10,566	3,248	234,001
Stage 2 (10-99)	635,894	738,981	103,087	660,061	392,554	267,507	13,630	14,335	705	136,657
Stage 3 (100-499)	273,469	364,108	87,639	287,896	262,144	25,742	9,213	15,274	6,061	56,624
Stage 4 (500+)	340,233	443,449	103,216	186,072	589,575	403,503	11,969	21,233	9,264	220,343

\*Net totals -- do not include movement within stages nor the resident, nonresident, and noncommercial sectors.



Championing entrepreneurship through research, retreats, recognition and rethinking economic development.

States ranked by net new Jobs Period: 1998-2007 (sorted by Total)

Rank	State	Change	Change	Change	Change
1	Florida	27.18%	12.98%	0.46%	13.72%
2	Nevada	23.10%	10.24%	1.58%	11.39%
3	Arizona	17.53%	5.83%	1.33%	11.27%
4	Georgia	7.58%	6.66%	1.00%	9.91%
5	Idaho	15.38%	4.17%	-0.16%	12.38%
6	Alaska	13.04%	0.88%	0.96%	9.70%
7	Wyoming	13.33%	2.25%	-0.23%	11.33%
8	Montana	11.94%	2.56%	0.24%	9.13%
9	Utah	10.88%	4.11%	0.18%	6.81%
10	Colorado	9.82%	-0.55%	-0.00%	10.38%
↓					
40	Kansas	-0.98%	-5.89%	1.18%	3.73%
41	New York	-1.21%	-5.40%	-0.45%	5.73%
42	Ohio	-1.58%	-5.38%	0.18%	4.63%
43	Illinois	-1.65%	-3.03%	-0.04%	7.03%
44	Pennsylvania	-1.85%	-6.23%	0.08%	6.30%
45	Oklahoma	-2.01%	-9.49%	-0.17%	7.66%
46	New Jersey	-2.31%	-9.88%	0.18%	7.78%
47	Massachusetts	-3.50%	-11.14%	-0.72%	8.38%
48	Michigan	-3.92%	-6.94%	-0.22%	3.24%
49	Nebraska	-4.47%	-9.70%	-0.44%	2.67%
50	Delaware	-5.78%	-10.02%	2.12%	2.13%

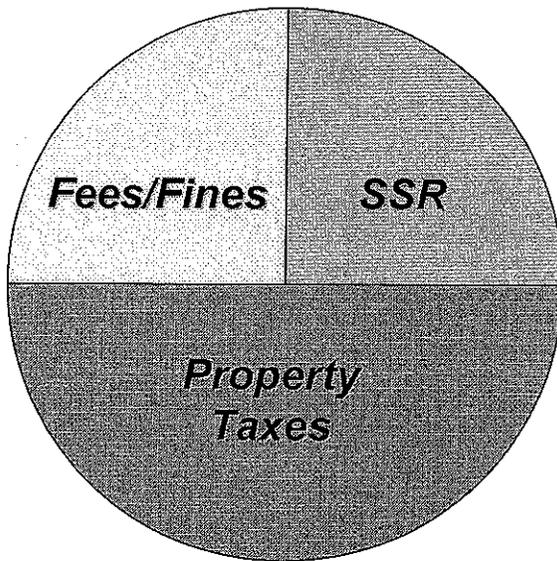
**Dan Gilmartin**

*Michigan Municipal League*

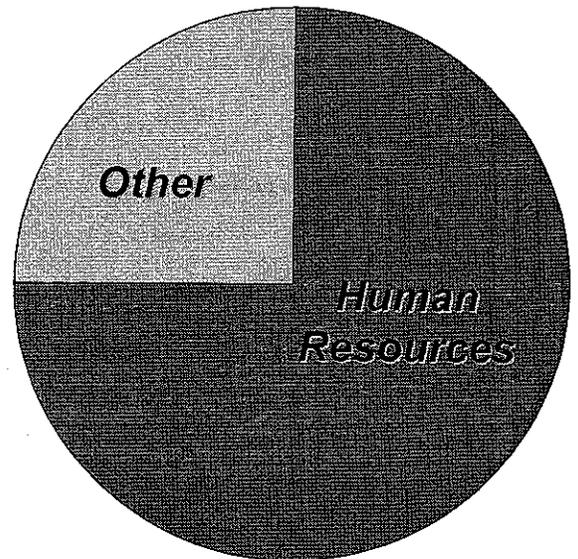
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# **Michigan's Broken Municipal Finance Model**

**General Fund Revenue**



**General Fund Expenditures**



**State Shared Revenue – Cut by \$3.0B since 2001**

**PropTx – Prop A + Headlee = growth on some parcels at less than inflation**

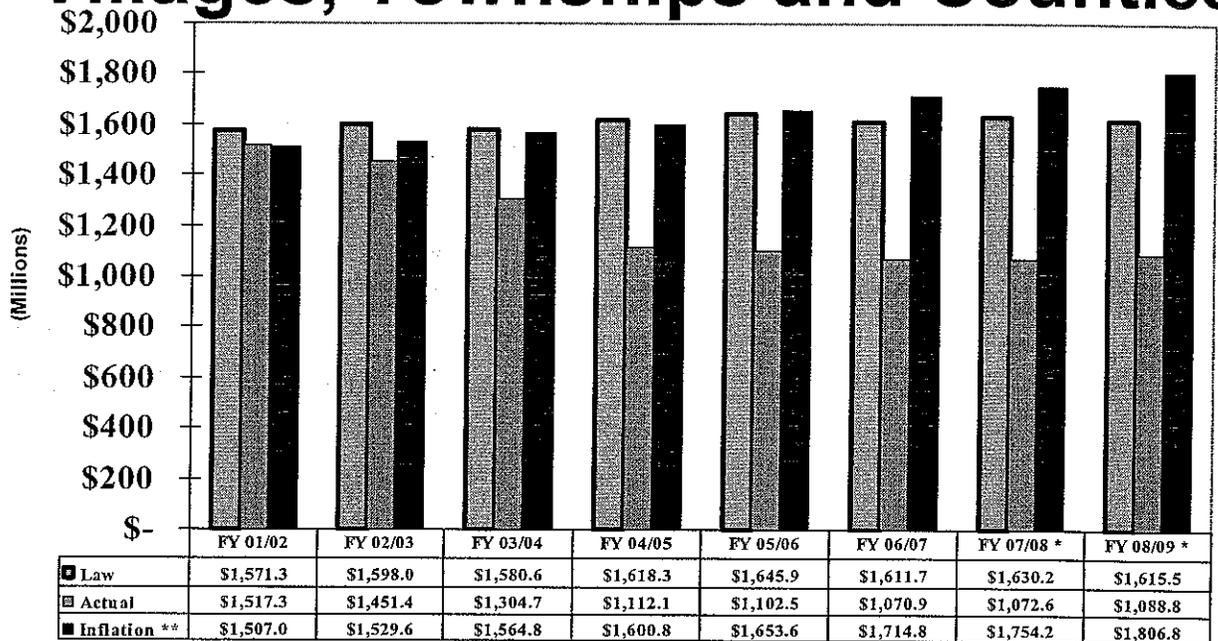
**F/F - Flat**

**HR – Public Act 312 (me too clause)**

**15% average annual increase health care since 2001**

**3-5 year union contracts**

# Total State Shared Revenue - Cities, Villages, Townships and Counties



Lost Rev. Sharing millions	\$54	\$146.6	\$275.9	\$506.2	\$543.4	\$540.8	\$557.6	\$526.7
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Note: For "Law" FY 01/02 through FY 08/09, amount calculated based on constitutional revenue sharing.

\* Projected

\*\* Inflation applied to FY 97/98 total state shared revenue based on Proposal A inflation factor 1.6%(98/99), 1.9%(99/00), 3.2%(00/01), 3.2%(01/02), 1.5%(02/03), 2.3% (03/04), 2.3% (04/05), 3.3% (05/06), 3.7% (06/07), 2.3% (07/08), estimated 3% (08/09).

**Sharon Parks**

*Michigan League for Human Services*

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**Michigan League  
for Human Services**

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## **Michigan's Economic Crisis: Time for a Cure**

**Center for Michigan**

**November 17, 2009**

**Eagle Eye Golf Club**

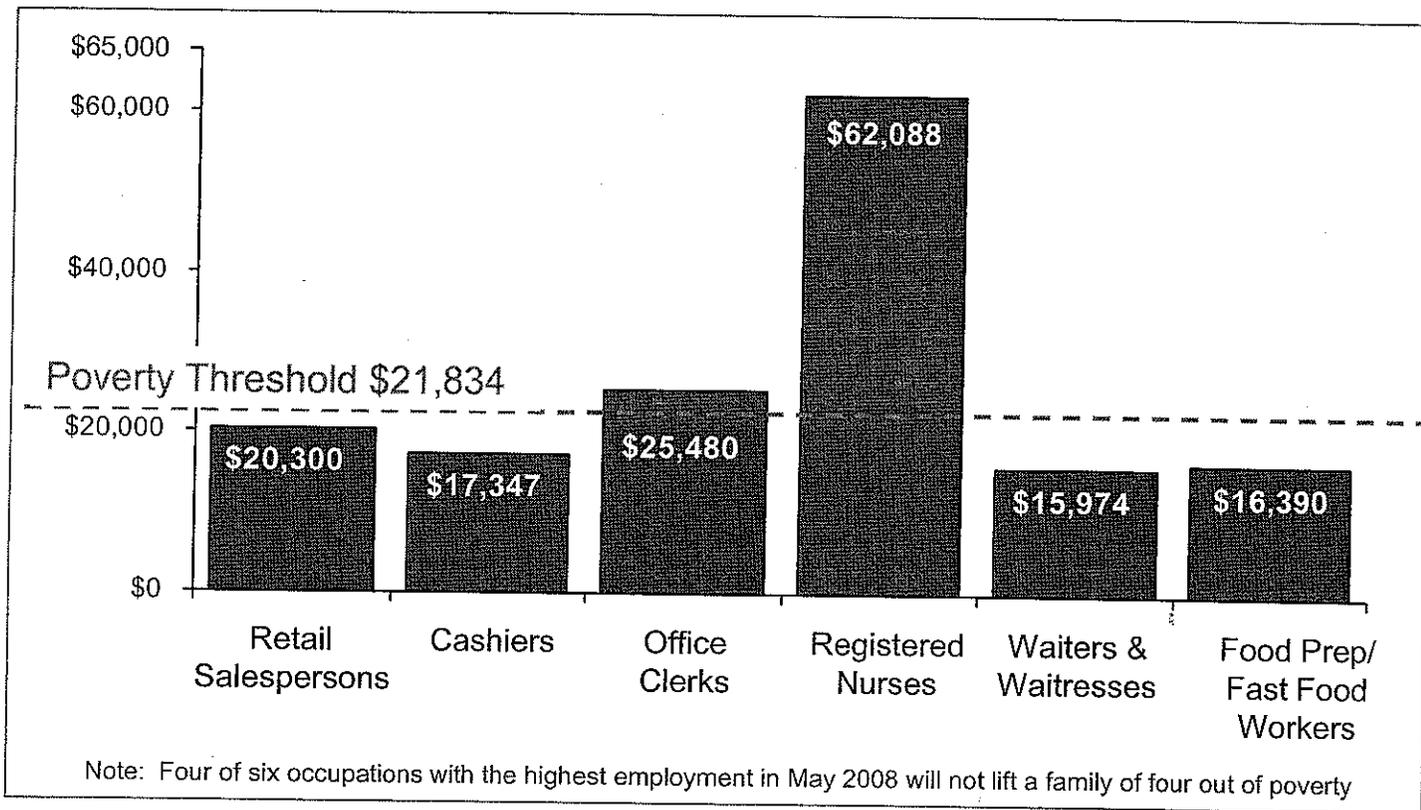
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1115 South Pennsylvania Avenue, Suite 202, Lansing, MI 48912-1658 • (517) 487-5436

Fax: (517) 371-4546 • Web site: <http://www.MiLHS.org>

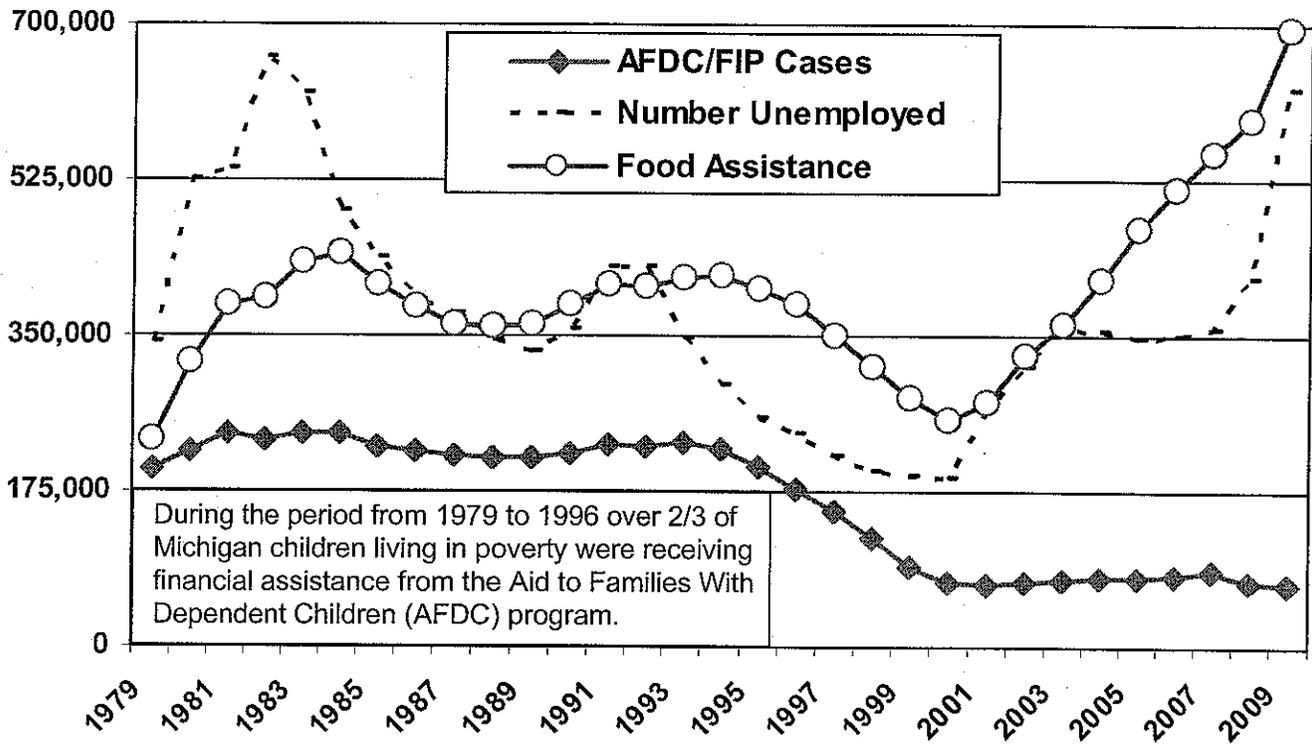
*A United Way Agency*

# Breadwinners can't support families in four out of six top Michigan jobs

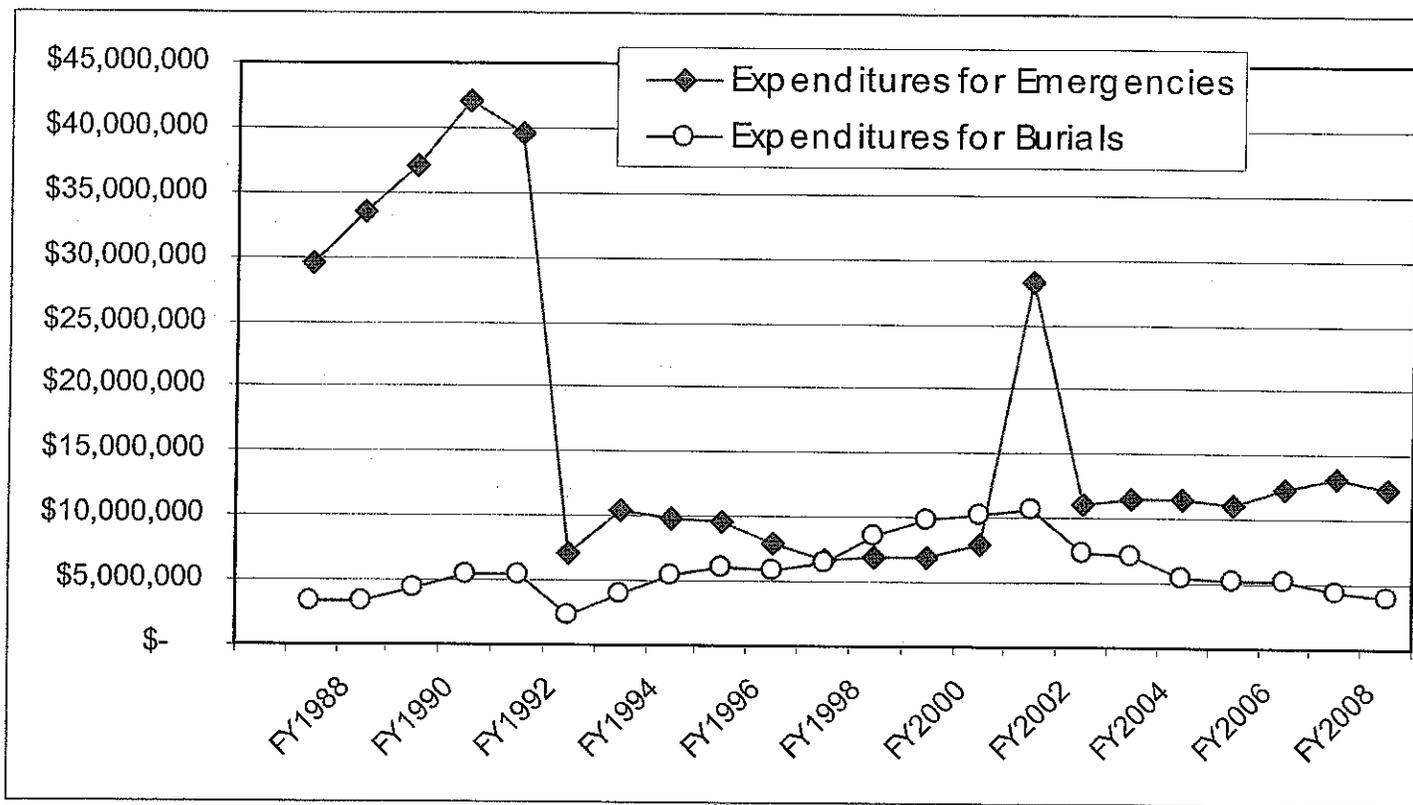


Source: U.S. Department of Labor, State Occupational Employment and Wage Estimates

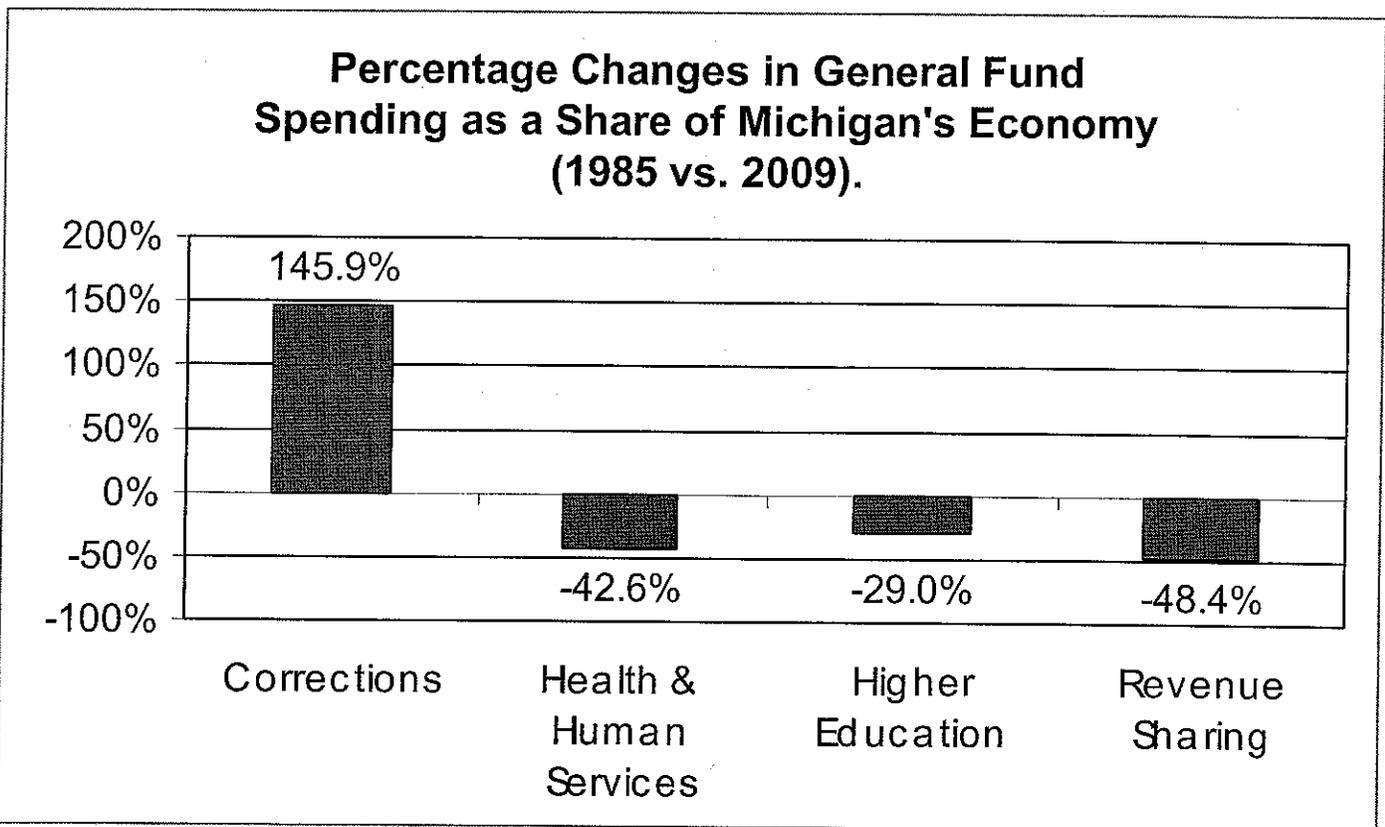
**By 2004 the share (1/3) of poor children receiving cash assistance had been cut in half.**



# Emergency Needs Program/State Emergency Relief Programs Expenditure History FY1987 - FY2008



# Priority shift



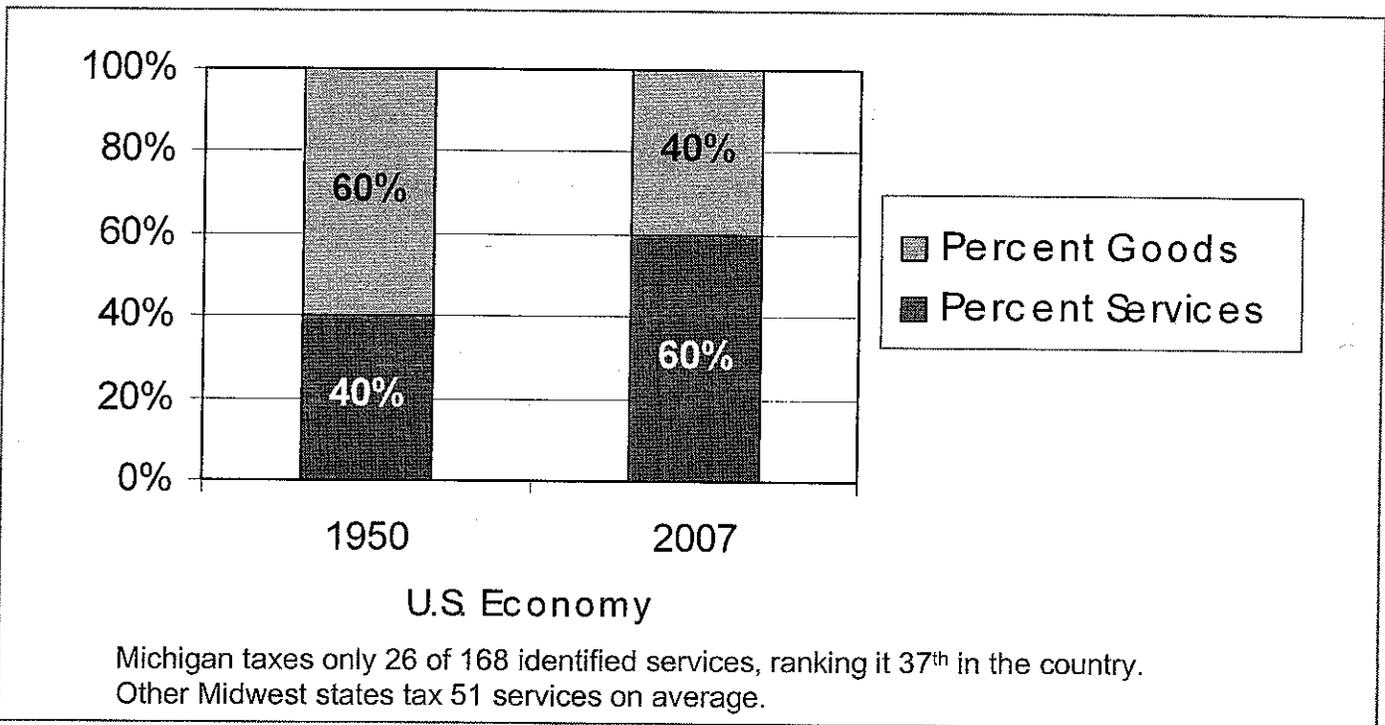
Calculations by Michigan League for Human Services

# Income Tax: It's Time for the Flat Tax to Go

- Only seven states have a flat tax
- 34 states and the District of Columbia have a graduated tax
- A graduated tax could help at least 90% of filers

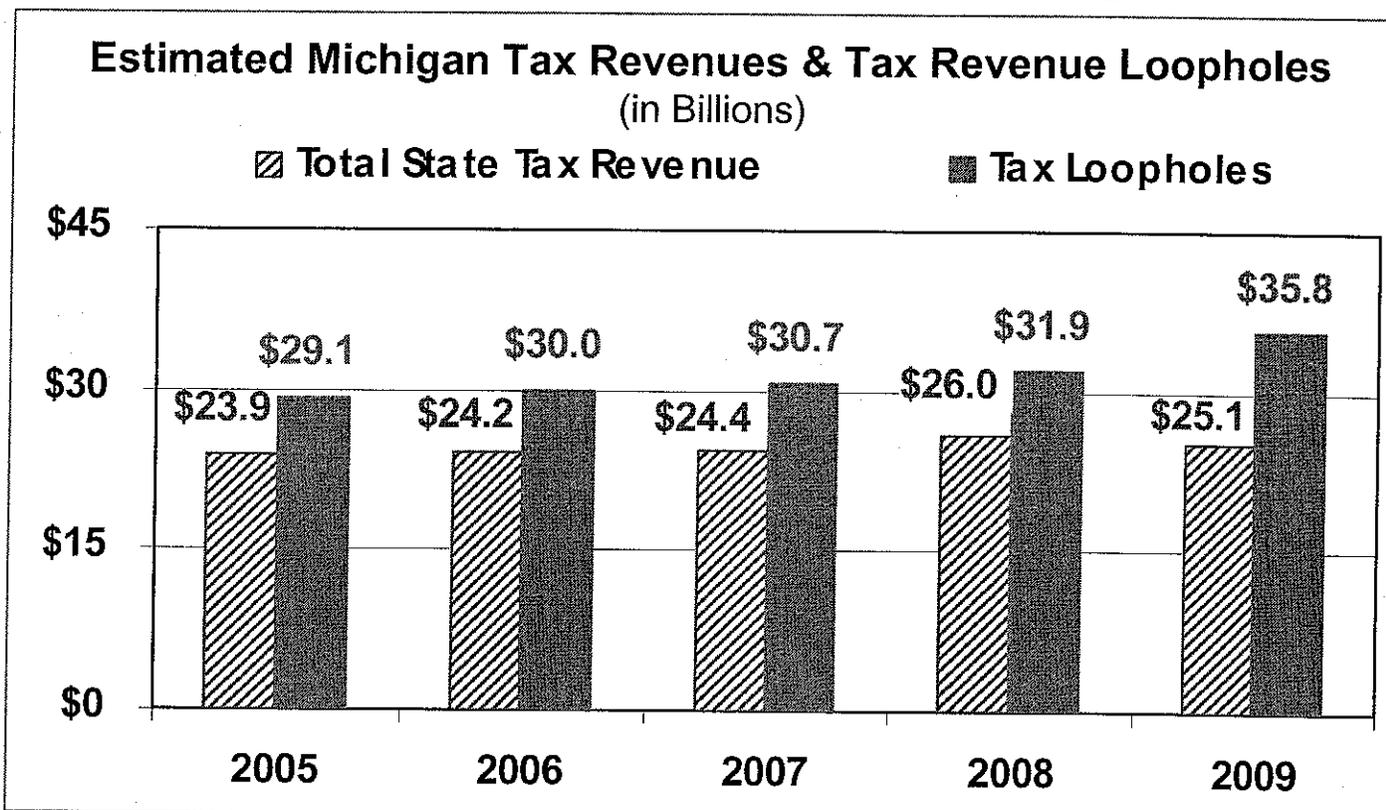
<b>Tax Bracket</b>	<b>Taxable Income: Single</b>	<b>Taxable Income: Married, Filing Jointly</b>
3.9%	\$0-\$20,000	\$0-\$40,000
4.35%	\$20,001-\$60,000	\$40,001-\$120,000
6.9%	\$60,001 and above	\$120,001 and above

## Michigan's outdated tax structure misses sales tax on services



Sources: Federation of Tax Administrators and the US. Census Bureau  
Prepared by Michigan League for Human Services

# The rising cost of tax loopholes



Data Sources: Michigan Department of Treasury Executive Budget Appendix on Tax Credits, Deductions and Exemptions FY2005 - FY2009 and Department of Management and Budget Comprehensive Annual Financial Reports. Calculations by Michigan League for Human Services

**Doug Pratt**  
*Michigan Education Association*

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## MEA's Goals...

- To secure adequate, equitable funding for Michigan's public schools through a tax system that is fair, stable and sensible.
- To demonstrate that investing in public education has a far greater return to Michigan's economy than any other investment.
- To show that there is an inseparable link between investing in education and a healthy economy.

**MEA**

Michigan Education Association

# AEG/MEA tax incentive study findings

- “Enormous variation” in the effectiveness of Michigan’s tax incentives (only 2 of 8 programs reviewed had a high “relative” effectiveness).
- No proper, publicly available inventory of business tax incentives.
- No independent agency collects information or administers all programs.
- Approvals and reported effectiveness of programs is “deeply affected by self-interest.”
- There exists no comprehensive assessment of the effectiveness of Michigan’s tax incentive programs (at least not until this study).

**MEA**

Michigan Education Association

Full report available at [www.mea.org/invest](http://www.mea.org/invest)

# Michigan's Film Incentives Program

One highly-touted tax incentive program that doesn't work according to the MEA/AEG study:

- Senate Fiscal Agency estimates in 2008-09, film incentives created \$203M in wages and \$339M in economic activity.
- After considering taxes that were abated, SFA estimates a net loss of \$99M for the state.
- Cost-per-job created is between \$40,000-50,000.

"... the state isn't just incentivizing the activity – it is actually paying for the activity."

**MEA**

Michigan Education Association

# Review incentives for effectiveness

“Some economists argue that a regular periodic evaluation of tax expenditures should become common practice.

Unlike fixed appropriations, tax expenditures are open-ended entitlements: if people or firms qualify for an exemption, they receive it.

In periods of recession, tax expenditures are rarely re-examined as budget cuts are typically focused around direct spending.

When the economy improves both direct spending and tax expenditures tend to increase as legislators can afford to be more generous.”

*State of Michigan Executive Budget  
Robert J. Klein, State Treasurer*

**MEA**

Michigan Education Association

**Doug Rothwell**

*Business Leaders for Michigan*

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## **Michigan Turnaround Plan**

[www.BusinessLeadersForMichigan.com](http://www.BusinessLeadersForMichigan.com)

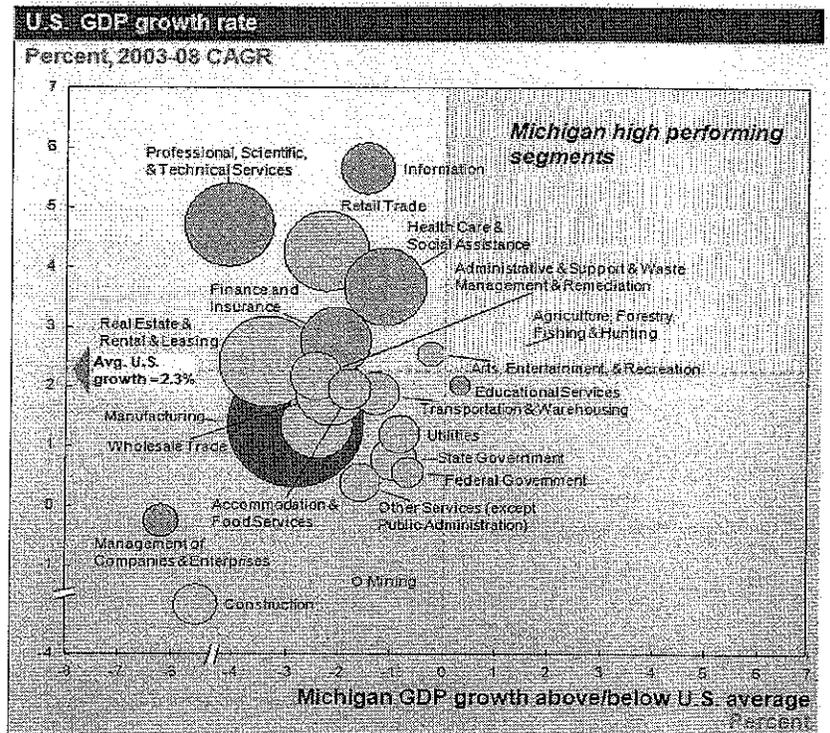
# Michigan: A State In Crisis

- 1 of every 2 jobs lost in America since 2000 have been in Michigan
- Only 25% of Michigan job losses from automotive sector
- Companies pay a 3-4 percentage point profit penalty to be in Michigan
- A state with no holistic, cohesive approach to foster job growth

# Fact: Job Growth Has Lagged Across Most Sectors

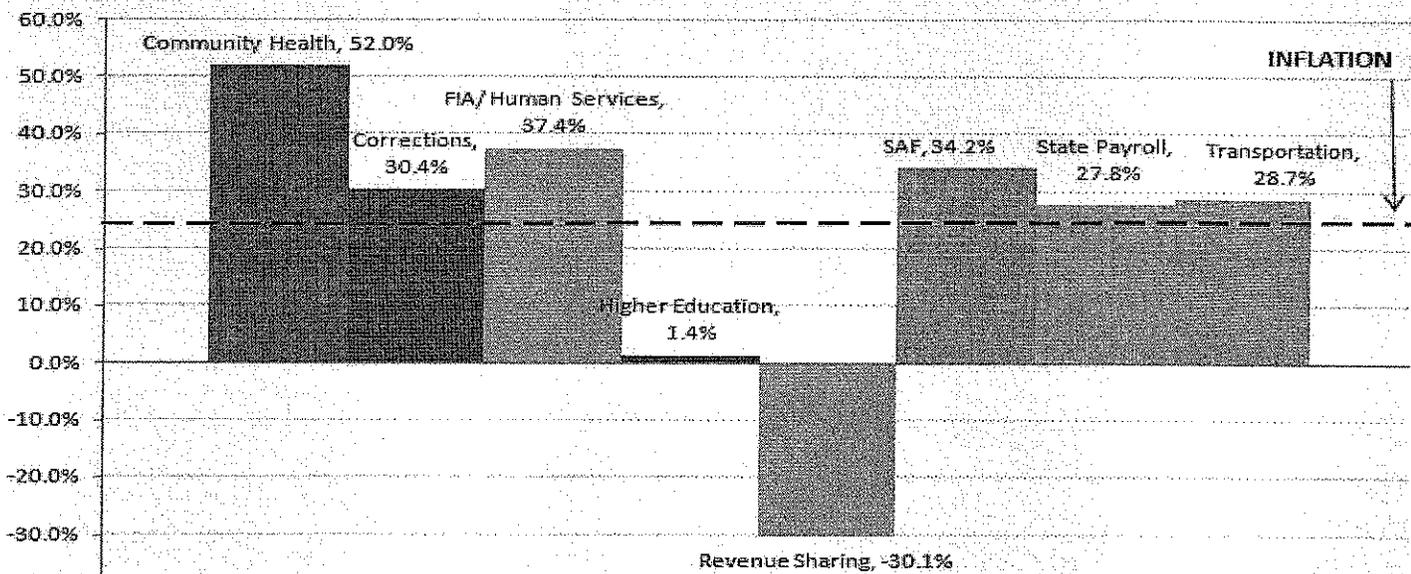
## Michigan Is Under-Performing Across Sectors

- Only one of 22 industry groups had both positive Michigan growth, and grew ahead of the US average
- All knowledge-based industries trailed US average growth with exception of Educational Services



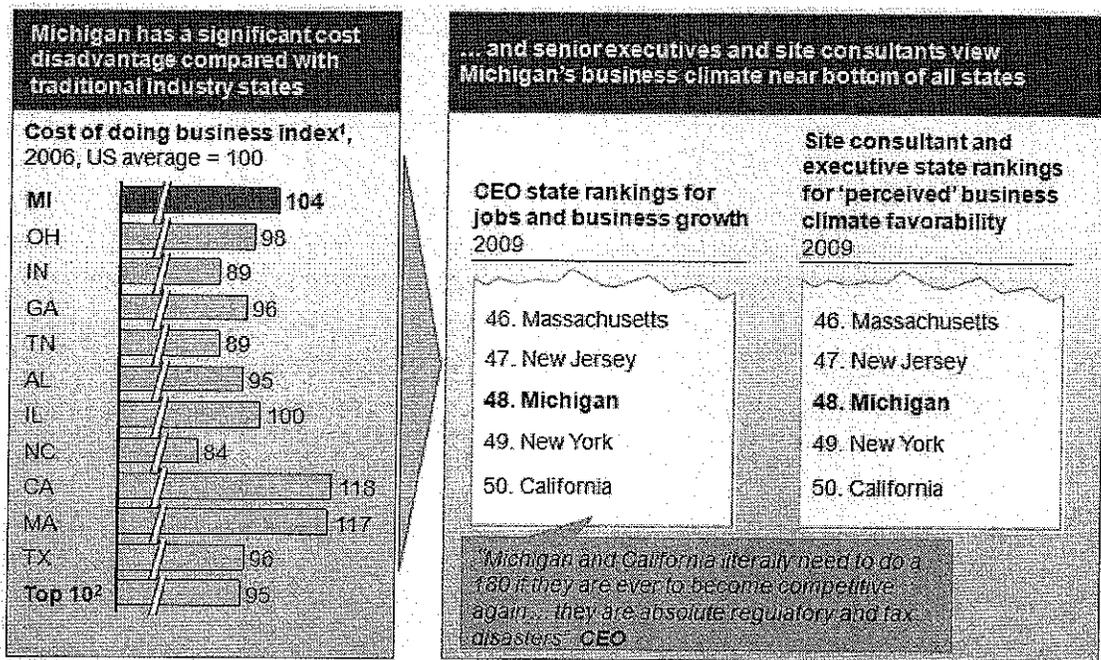
# Result: Right Spending Priorities for Growth?

State Gross Expenditures, Percentage Change, FY 2000-2009



Source: State of Michigan Executive Budget FY 2009, "Historical Expenditures/Appropriations G" & U.S. Inflation Calculator.com

# Cause: Uncompetitive Business Climate



<sup>1</sup> Consists of 75% labor costs, 15% energy, 10% state/local taxes  
<sup>2</sup> Top 10 States in per capita GDP growth '09-'08: ND, OR, SD, NY, VT, IA, MI, WY, NE, MD  
 SOURCE: North American Business Cost Review 2006; Moody's Economy.com; Chief Executive Magazine; Site Selection magazine

# Cause: Uncompetitive Business Costs

<b>A</b> Michigan's corporate tax climate remains among the bottom 5 states			<b>B</b> Michigan's electricity and gas prices rank in bottom half of states				<b>C</b> Unit labor cost in Michigan has improved slightly, but remains in bottom 10 among all states			
Corporate tax climate rank 1=best rank			Energy industrial price rank 1=lowest price				Unit labor cost rank 1=lowest cost			
State	2009 rank	2008 rank	State	Electricity		Natural gas		State	2007 rank	2006 rank
MI	48	49	MI	30	31	28	35	MI	43	46
OH	33	36	OH	27	24	48	39	OH	19	18
IN	23	22	IN	18	14	21	24	IN	8	6
GA	8	9	GA	24	30	37	29	GA	28	30
TN	12	13	TN	31	22	29	22	TN	7	8
AL	21	21	AL	21	23	25	18	AL	27	25
IL	28	28	IL	35	33	20	23	IL	42	45
NC	26	25	NC	17	15	41	31	NC	1	2

SOURCE: Tax Foundation 2009 Business Tax Climate Report; Energy Velocity (from EIA); North American Business Cost Review 2006; Moody's Economy.com

# Setting a Goal for Michigan

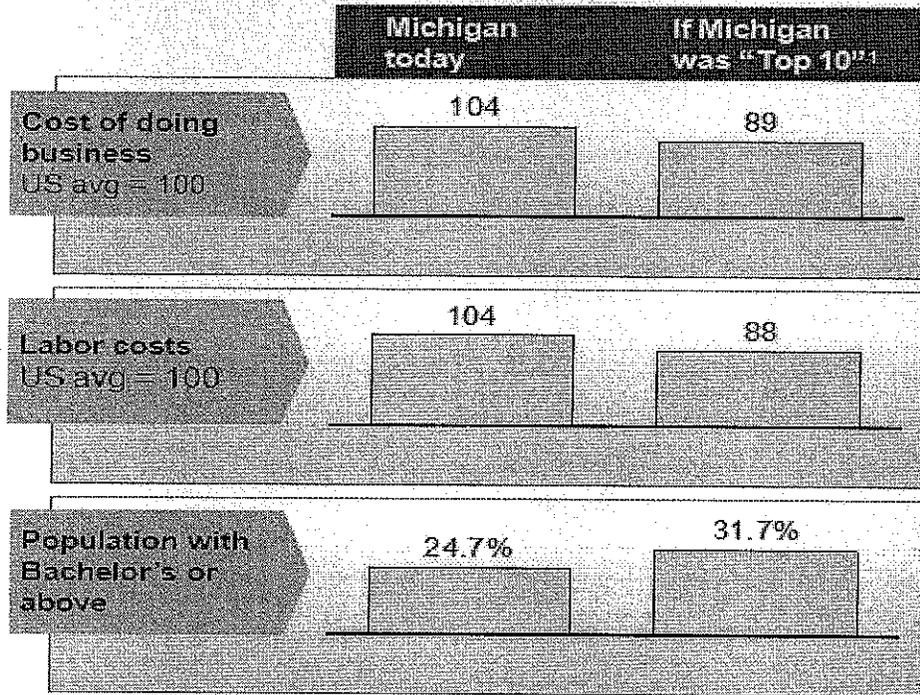
## Long-Term

- *Michigan will be a top ten state for job & economic growth*

## Short-Term

- *Michigan will be an above average state for job & economic growth*

# Top Ten: Where We Could Be

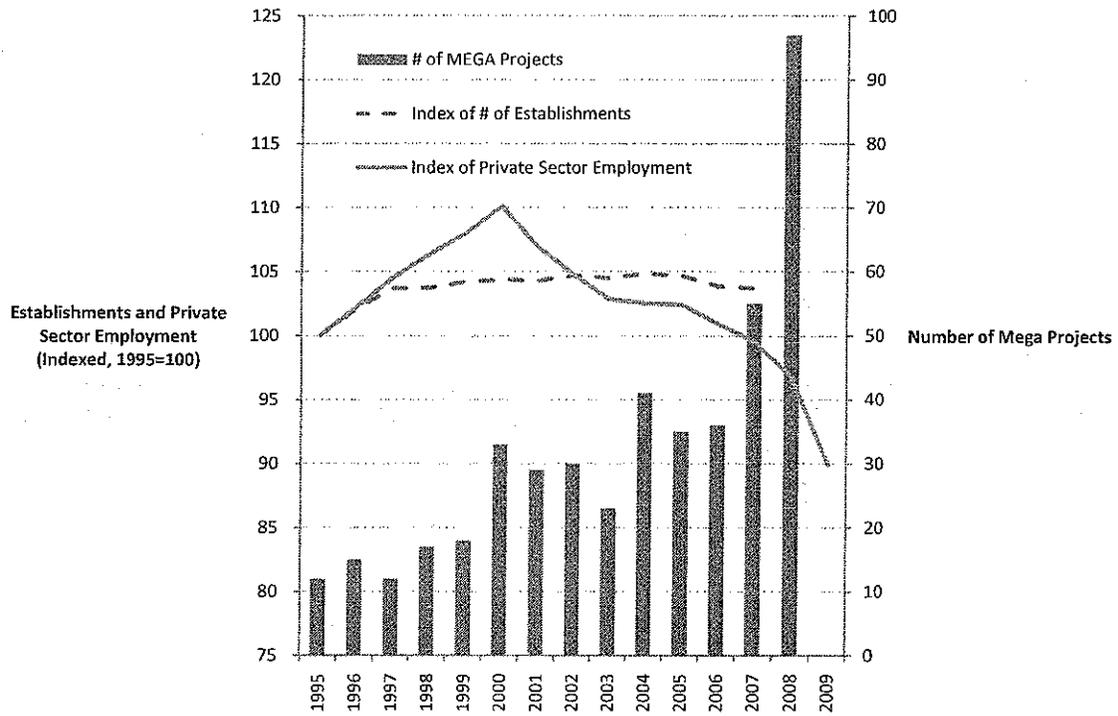


<sup>1</sup>Aspiration to be a Top 10 state for each individual metric.  
 SOURCE: Moody's Economy.com, American Community Survey, US Census, North American Business Cost Review 2006, McKinsey analysis.

**Richard Studley**  
*Michigan Chamber of Commerce*

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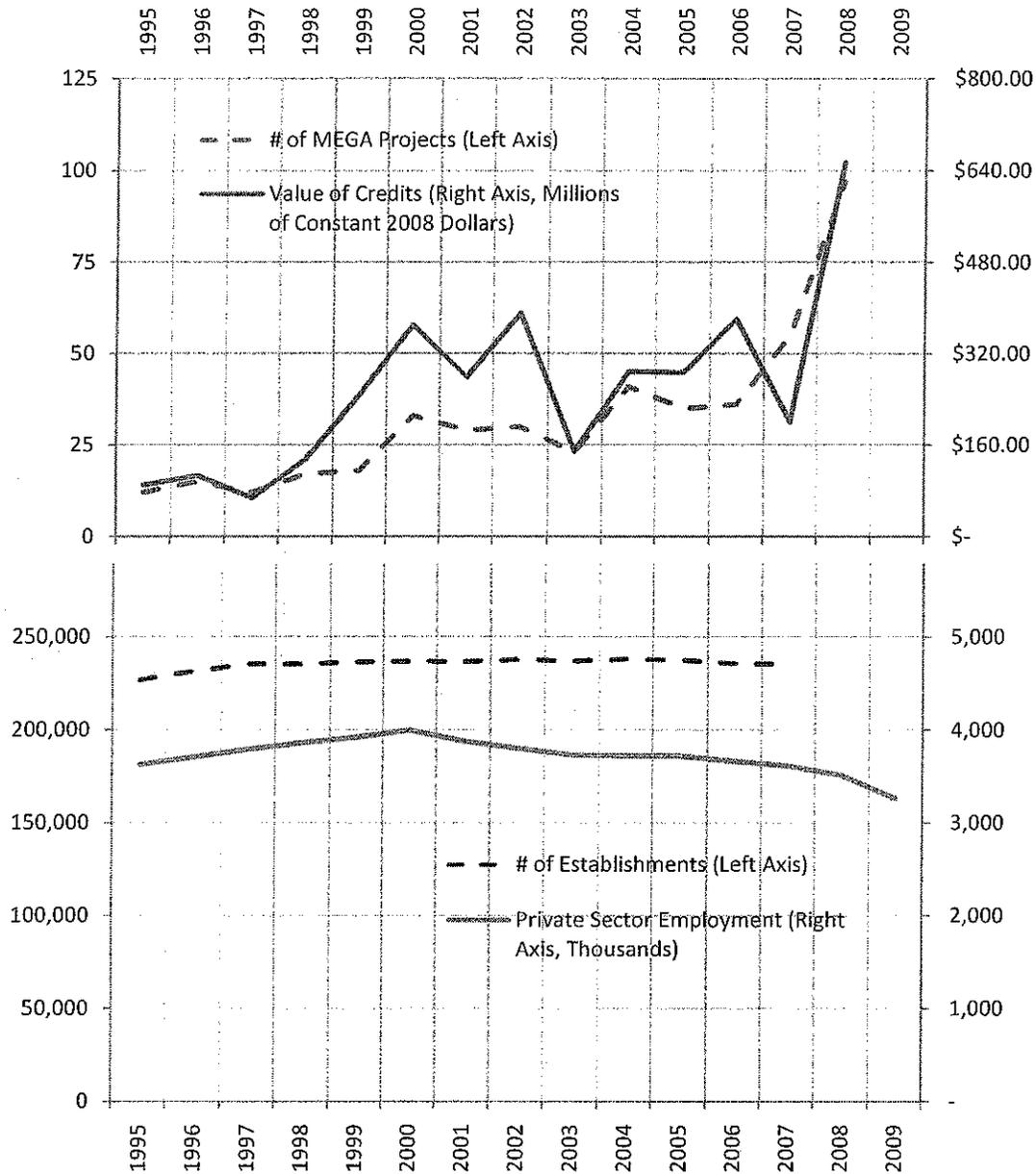
### MEGA Projects, Business, and Employment, 1995-2009



Base data sources: State of Michigan Documents, Bureau of Labor Statistics, Bureau of Economic Analysis, U.S. Census Bureau County Business Patterns.

Analysis: Anderson Economic Group, LLC

## MEGA Projects, Business, and Employment, 1995-2009



Base data sources: State of Michigan Documents, Bureau of Labor Statistics, Bureau of Economic Analysis, U.S. Census Bureau County Business Patterns.

Analysis: Anderson Economic Group, LLC

# State Individual Income Tax Rates, As of July 1, 2009

Local Rates Excluded (2009's noteworthy changes in bold)

State	Federal Deductibility	Marginal Rates and Tax Brackets for Single Filers (a)	Standard Deduction		Personal Exemptions (b)	
			Single	Joint	Single	Dependents
<b>Alabama (x)</b>						
	Yes	2% > \$0	\$2,000	\$4,000	\$1,500	\$300
		4% > \$500				
		5% > \$3K				
		(s)				
<b>Alaska</b>						
	No	None	n.a	n.a	n.a	n.a
<b>Arizona</b>						
	No	2.59% > \$0	\$4,521 (n)	\$9,042 (n)	\$2,100	\$2,100
		2.88% > \$10K				
		3.36% > \$25K				
		4.24% > \$50K				
		4.54% > \$150K				
		(s)				
<b>Arkansas (x)</b>						
	No	1% > \$0	\$2,000	\$4,000	\$23 (c)	\$23 (c)
		2.5% > \$3,800				
		3.5% > \$7,600				
		4.5% > \$11,400				
		6% > \$19,000				
		7% > \$31,700				
		(t) (n) (s)				
<b>California</b>						
	No	1.25% > \$0	\$3,692 (n)	\$7,384 (n)	\$98 (c)(n)	\$309 (c)(n)
		2.25% > \$7,168				
		4.25% > \$16,994				
		6.25% > \$26,821				
		8.25% > \$37,233				
		9.55% > \$47,055				
		10.55% > \$1,000,000				
		(n) (s) (y)				
<b>Colorado</b>						
	No	4.63% of federal taxable income	n.a	n.a	n.a	n.a
<b>Conn.</b>						
	No	3.0% > \$0	n.a	n.a	\$13,000 (d)	\$0
		5.0% > \$10,000				
		(s)				
<b>Delaware (x)</b>						
	No	2.2% > \$2,000	\$3,250	\$6,500	\$110 (c)	\$110 (c)
		3.9% > \$5,000				
		4.8% > \$10,000				
		5.2% > \$20,000				
		5.55% > \$25,000				
		6.95% > \$60,000				
		(s) (hh)				
<b>Florida</b>						
	No	none	n.a	n.a	n.a	n.a
<b>Georgia</b>						
	No	1% > \$0	\$2,300	\$3,000	\$2,700	\$3,000
		2% > \$750				
		3% > \$2,250				
		4% > \$3,750				
		5% > \$5,250				
		6% > \$7,000				
		(s)				

State	Federal Deductibility	Marginal Rates and Tax Brackets for Single Filers (a)	Standard Deduction		Personal Exemptions (b)	
			Single	Joint	Single	Dependents
<b>Hawaii</b>						
	No	1.4% > \$0	\$2,000	\$4,000	\$1,040	\$1,040
		3.2% > \$2,400				
		5.5% > \$4,800				
		6.4% > \$9,600				
		6.8% > \$14,400				
		7.2% > \$19,200				
		7.6% > \$24,000				
		7.9% > \$36,000				
		8.25% > \$48,000				
		9% > \$150,000				
		10% > \$175,000				
		11% > \$200,000				
		(s) (z)				
<b>Idaho</b>						
	No	1.6% > \$0	\$5,450 (c)	\$10,900 (c)	\$3,500	\$3,500
		3.6% > \$1,272			(o) (e)	(o) (e)
		4.1% > \$2,544				
		5.1% > \$3,816				
		6.1% > \$5,088				
		7.1% > \$6,360				
		7.4% > \$9,540				
		7.8% > \$25,441				
		(n) (s)				
<b>Illinois</b>						
	No	3% of federal adjusted gross income with modification	n.a.	n.a.	\$2,000	\$2,000
<b>Indiana (x)</b>						
	No	3.4% of federal adjusted gross income with modification	n.a.	n.a.	\$1,000	\$2,500 (g)
<b>Iowa (x)</b>						
	Yes	0.36% > \$0	\$1,750 (n)	\$4,310 (n)	\$40 (c)	\$40 (c)
		0.72% > \$1,407				
		2.43% > \$2,814				
		4.5% > \$5,628				
		6.12% > \$12,663				
		6.48% > \$21,105				
		6.8% > \$28,140				
		7.92% > \$42,210				
		8.98% > \$63,315				
		(n) (s)				
<b>Kansas</b>						
	No	3.5% > \$0	\$5,450	\$10,900	\$2,250	\$2,250
		6.25% > \$15,000				
		6.45% > \$30,000				
		(s)				
<b>Kentucky (x)</b>						
	No	2% > \$0	\$2,100 (n)	\$2,100 (n)	\$20 (c)	\$20 (c)
		3% > \$3,000				
		4% > \$4,000				
		5% > \$5,000				
		5.8% > \$8,000				
		6% > \$75,000				
		(s)				
<b>Louisiana</b>						
	Yes	2% > \$0	n.a.	n.a.	\$4,500 (j)	\$1,000
		4% > \$12,500				
		6% > \$50,000				
		(s)				

State	Federal Deductibility	Marginal Rates and Tax Brackets for Single Filers (a)	Standard Deduction		Personal Exemptions (b)	
			Single	Joint	Single	Dependents
<b>Maine</b>						
	No	2% > \$0	\$6,450 (n)	\$9,100 (n)	\$2,850	\$2,850
		4.5% > \$5,050				
		7% > \$10,050				
		8.5% > \$20,150				
		(n) (s) (aa)				
<b>Maryland (x)</b>						
	No	2% > \$0	\$2,000 (k)	\$4,000 (k)	\$3,200	\$3,200
		3% > \$1,000				
		4% > \$2,000				
		4.75% > \$3,000				
		5% > \$150,000				
		5.25% > \$300,000				
		5.5% > \$500,000				
		6.25% > \$1,000,000				
		(s)				
<b>Mass</b>						
	No	5.3% and 12% (w)	n.a.	n.a.	\$4,400	\$1,000
<b>Michigan (x)</b>						
	No	4.35% of federal adjusted gross income with modification	n.a.	n.a.	\$3,500 (o)	\$3,500 (o) (q)
<b>Minn.</b>						
	No	5.35% > \$0	\$5,450 (o)	\$10,900 (o)	\$3,500 (o)	\$3,500 (o)
		7.05% > \$22,730				
		7.85% > \$74,650				
		(n) (s)				
<b>Mississippi</b>						
	No	3% > \$0	\$2,300	\$4,600	\$8,000	\$1,500
		4% > \$5,000				
		6% > \$10,000				
		(s)				
<b>Missouri (x)</b>						
	Yes (p)	1.5% > \$0	\$5,450 (o)	\$10,900 (o)	\$2,100	\$1,200
		2% > \$1,000				
		2.5% > \$2,000				
		3% > \$3,000				
		3.5% > \$4,000				
		4% > \$5,000				
		4.5% > \$6,000				
		5% > \$7,000				
		5.5% > \$8,000				
		6% > \$9,000				
		(s)				
<b>Montana</b>						
	Yes (r)	1% > \$0	\$4,010 (n)	\$8,020 (n)	\$2,140 (n)	\$2,140 (n)
		2% > \$2,600				
		3% > \$4,600				
		4% > \$7,000				
		5% > \$9,500				
		6% > \$12,200				
		6.9% > \$15,600				
		(n) (s)				
<b>Nebraska</b>						
	No	2.58% > \$0	\$5,450 (n)	\$10,900 (n)	\$106 (c)	\$106 (c)
		3.57% > \$2,400				
		5.12% > \$7,500				
		6.84% > \$27,000				
		(s)				
<b>Nevada</b>						
	No	none	n.a.	n.a.	n.a.	n.a.

State	Federal Deductibility	Marginal Rates and Tax Brackets for Single Filers (a)	Standard Deduction		Personal Exemptions (b)	
			Single	Joint	Single	Dependents
<b>New Hampshire</b>						
	No	3% > \$0 (f)	2400	4800	n.a.	n.a.
<b>New Jersey (x)</b>						
	No	1.4% > \$0 1.75% > \$20,000 3.5% > \$35,000 5.525% > \$40,000 6.37% > \$75,000 8.0% > \$400,000 10.25% > \$500,000 10.75% > \$1,000,000 (s) (dd)	n.a.	n.a.	\$1,000	\$1,500
<b>New Mexico</b>						
	No	1.7% > \$0 3.2% > \$5,500 4.7% > \$11,000 4.9% > \$16,000 (s)	\$5,450 (c)	\$10,900 (c)	\$3,500 (c)	\$3,500 (c)
<b>New York (x)</b>						
	No	4% > \$0 4.5% > \$8,000 5.25% > \$11,000 5.9% > \$13,000 6.86% > \$20,000 7.85% > \$200,000 8.97% > \$500,000 (s) (bb)	\$7,500	\$15,000	n.a.	\$1,000
<b>North Carolina</b>						
	No	6% > \$0 7% > \$12,750 7.75% > \$60,000 (s)	\$3,000	\$6,000	(l)	(l)
<b>North Dakota</b>						
	No	1.84% > \$0 3.44% > \$33,950 3.81% > \$82,250 4.42% > \$171,550 4.86% > \$372,950 (s) (gg)	\$5,450 (c)	\$10,900 (c)	\$3,500 (c)	\$3,500 (c)
<b>Ohio (x)</b>						
	No	0.587% > \$0 1.174% > \$5,000 2.348% > \$10,000 2.935% > \$15,000 3.821% > \$20,000 4.109% > \$40,000 4.695% > \$80,000 5.451% > \$100,000 5.925% > \$200,000 (s)	n.a.	n.a.	\$1,450 (e) (n)	\$1,450 (e) (n)
<b>Oklahoma</b>						
	No	0.5% > \$0 1% > \$1,000 2% > \$2,500 3% > \$3,750 4% > \$4,900 5% > \$7,200 6.5% > \$8,700 (s)	\$4,250	\$8,500	\$1,000	\$1,000

State	Federal Deductibility	Marginal Rates and Tax Brackets for Single Filers (a)	Standard Deduction		Personal Exemptions (b)	
			Single	Joint	Single	Dependents
<b>Oregon (x)</b>						
	Yes (t)	5% > \$0	\$1,865 (n)	\$3,735 (n)	\$169 (c)(n)	\$169 (c)(n)
		7% > \$3,050				
		9% > \$7,600				
		10.8% > \$125K				
		11% > \$250K				
		(n) (s) (ee)				
<b>Penn. (x)</b>						
	No	3.07% > \$0	n.a	n.a	n.a	n.a
<b>Rhode Island</b>						
	No	3.75% > \$0	\$5,450 (o)	\$9,100	\$3,500 (o)	\$3,500 (o)
		7% > \$33,950				
		7.75% > \$82,250				
		9% > \$171,550				
		9.9% > \$372,950				
		(n) (s) (u)				
<b>South Carolina</b>						
	No	0% > \$0	\$5,450 (o)	\$10,900 (o)	\$3,500 (o)	\$3,500 (o)
		3% > \$2,670				
		4% > \$5,340				
		5% > \$8,010				
		6% > \$10,680				
		7% > \$13,350				
		(n) (s)				
<b>South Dakota</b>						
	No	none	n.a	n.a	n.a	n.a
<b>Tenn.</b>						
	No	6% > \$0 (f)	n.a	n.a	\$1,250	n.a
<b>Texas</b>						
	No	none	n.a	n.a	n.a	n.a
<b>Utah</b>						
	No	5% > \$0	(v)	(v)	\$2,625 (m)	\$2,625 (m)
<b>Vermont</b>						
	No	3.55% > \$0	\$5,450 (o)	\$10,900 (o)	\$3,500 (o)	\$3,500 (o)
		7.0% > \$33,950				
		8.25% > \$82,250				
		8.9% > \$171,550				
		9.4% > \$372,950				
		(n) (s) (cc)				
<b>Virginia</b>						
	No	2% > \$0	\$3,000	\$6,000	\$930	\$930
		3% > \$3,000				
		5% > \$5,000				
		5.75% > \$17,000				
		(s)				
<b>Washington</b>						
	No	none	n.a	n.a	n.a	n.a
<b>West Virginia</b>						
	No	3% > \$0	n.a	n.a	\$2,000	\$2,000
		4% > \$10,000				
		4.5% > \$25,000				
		6% > \$40,000				
		6.5% > \$60,000				
		(s)				
<b>Wisconsin</b>						
	No	4.60% > \$0	\$8,960 (h)	\$18,140 (h)	\$700	\$700
		6.15% > \$10,220				
		6.50% > \$20,440				
		6.75% > \$153,280				
		7.75% > \$225K				
		(n) (s) (ff)				

State	Federal Deductibility	Marginal Rates and Tax Brackets for Single Filers (a)	Standard Deduction		Personal Exemptions (b)	
			Single	Joint	Single	Dependents
Wyoming	No	none	n.a	n.a	n.a	n.a
D.C.	No	4% > \$0 6% > \$10,000 8.5% > \$40,000 (s)	\$4,200	\$4,200	\$1,750	\$1,750

**NOTES:**

- (a) Applies to single taxpayers & married people filing separately. Some states increase bracket widths for joint filers. See note (s)
- (b) Married joint filers generally receive double the single exemption.
- (c) Tax Credit.
- (d) Maximum equals \$13,500. Value decreases as income increases. There is a \$1,000 reduction in the exemption for every \$1,000 of CT AGI over \$27,000.
- (e) Taxpayers receive a \$20 tax credit per exemption in addition to the normal exemption amount. Called the Grocery Credit in Idaho.
- (f) Applies to interest & dividend income only.
- (g) \$2,500 exemption is for each dependent child. If the dependent is not the taxpayer's child the exemption is \$1,000.
- (h) Deduction phases out to zero for single filers at \$87,500 & joint filers at \$99,736.
- (i) Rates apply to regular tax table. A special tax table is available for low income taxpayers that reduces their tax payments.
- (j) Standard deduction & personal exemptions are combined: \$4,500 for single & married filing separately; \$9,000 married filing jointly & head of household.
- (k) The standard deduction is 15 percent of income with a minimum of \$1,500 & a cap of \$2,000 for single filers, married filing separately filers & dependent filers earning more than \$13,333. The standard deduction is capped at \$4,000 for married filing jointly filers, head of households filers & qualifying widowers earning more than \$26,667.
- (l) Federal taxable income (AGI less all deductions & exemptions) is the starting point for determining North Carolina taxable income. Filers must make an adjustment on the North Carolina return for the difference in the NC & federal personal exemption. For tax year 2008 single filers with income less than \$60,000 (\$100,000 for married filing jointly) must add \$1,000 to their taxable income. If the filer's income is over the applicable threshold \$1,500 must be added to their taxable income.
- (m) Three-quarters of the federal exemption.
- (n) Values adjusted for inflation each year. Release dates for tax bracket inflation adjustments vary by state & may fall after the end of the tax year in question. Idaho, Montana, & South Carolina brackets apply to tax year 2008. All other brackets listed are for tax year 2009.
- (o) Deduction or exemption tied to federal tax system. Federal deductions & exemptions are indexed for inflation.
- (p) Federal tax deduction limited to \$5,000 or \$10,000.
- (q) Additional \$600 exemption per dependent under 18 years old.
- (r) Available only if itemizing deductions.
- (s) Some states effectively double the bracket widths for joint filers (AL, AZ, CT, HI, ID, KS, LA, ME, NE, OR). CA doubles all bracket widths except the \$1,000,000 bracket. Some states increase, but don't double, all or some bracket widths for joint filers (GA, MN, NM, NC, ND, NY, OK, RI, VT, WI). Some states do not adjust their brackets for joint filers (AR, DE, IA, KY, MS, MO, MT, OH, SC, VA, WV, DC). Of these states, some permit married couples to file separately to avoid a marriage penalty, & some allow joint filers to make an adjustment to reduce their tax after it is calculated. MD decreases some of its bracket widths & increases others. NJ adds a 2.45% rate & doubles some bracket widths.
- (t) Deduction limited to no more than \$5,600.
- (u) Taxpayers calculate tax under a flat tax system & pay the lesser of the liability. The flat tax applies to all types of income with no exemptions or deductions & treats capital income as wages. The flat tax rates are 7.5 percent for 2007; 7 percent for 2008; 6.5 percent for 2009; 6 percent for 2010; & 5.5 percent for 2011 & beyond.
- (v) The standard deductions is taken in the form of a nonrefundable credit of 6% of the federal standard or itemized deduction amount, excluding the deduction for state or local income tax. This credit phases out at 1.3 cents per dollar above \$12,000 of AGI (\$24,000 for married couples). For 2008 the federal standard deduction is \$5,450 for single filers & \$10,900 for joint filers.
- (w) The 12% rate applies to short-term capital gains, long- & short-term capital gains on collectibles & pre-1996 installment sales classified as capital gain income for Massachusetts purposes. Taxpayers have the choice of paying an optional higher rate of 5.85%.
- (x) Local rates are excluded; 14 states have county or city level income taxes. In each of these states the average rate for all counties & cities, weighted by total personal income within each jurisdiction, is: 0.19% in Alabama; 0.06% in Ark.; 0.16% in Del.; 1.16% in Ind.; 0.3% in Iowa; 0.76% in Ky.; 2.98% in Md.; 0.44% in Mich.; 0.12% in Mo.; 0.09% in N.J.; 1.7% in N.Y.; 1.82% in Ohio; 0.36% in Ore.; & 1.25% in Pa.
- (y) California added 0.25% to each income tax rate in Feb. 2009 as a result of the 2009 budget agreement; the new rates are retroactive to January 1, 2009 & expiring on December 31, 2010
- (z) Hawaii added three new income tax brackets (9%, 10%, & 11%) in May 2009, retroactive to January 1, 2009.
- (aa) Maine's individual income tax rates are scheduled to change in 2010. Effective January 1, 2010 the existing rates are repealed & replaced with two rates: 6.5% on income up to \$250K, & 6.85% on income over \$250K.
- (bb) New York added two income tax brackets (7.85% & 8.97%), retroactive to January 1, 2009. The new rates are in effect for 3 years.
- (cc) The Vermont legislature reduced each of the income tax rates in the 2009 session, retroactive to January 1, 2009.
- (dd) New Jersey added three new rates on income over \$400,000 that will apply only to tax year 2009. After 2009, the tax rates will revert to their previous structure of 6.37% on income over \$75,000 & 8.97% on income over \$500,000.
- (ee) Oregon added two income tax rates (10.8% on income over \$125K & 11% on income over \$250K) that apply to tax years beginning on or after January 1, 2009, & before January 1, 2012. On January 1, 2012, the 10.8% rate will be reduced to 9.9% & the 11% will be eliminated.
- (ff) Wisconsin added one new rate in June 2009, retroactive to January 1, 2009: 7.75% on income over \$225K.
- (gg) North Dakota reduced all income tax rates in May 2009, retroactive to January 1, 2009.
- (hh) The Delaware legislature increased the top income tax rate from 5.95% to 6.95% in July 2009, retroactive to January 1, 2009.
- SOURCE: Tax Foundation; state tax forms & instructions (Tax Foundation, Ph: (202) 4646200, www.taxfoundation.org)